

FIRST REGULAR SESSION

SENATE BILL NO. 334

95TH GENERAL ASSEMBLY

INTRODUCED BY SENATOR PEARCE.

Read 1st time February 9, 2009, and ordered printed.

TERRY L. SPIELER, Secretary.

1820S.011

AN ACT

To repeal section 143.124, RSMo, and to enact in lieu thereof one new section relating to exempting military pensions from income tax.

Be it enacted by the General Assembly of the State of Missouri, as follows:

Section A. Section 143.124, RSMo, is repealed and one new section
2 enacted in lieu thereof, to be known as section 143.124, to read as follows:

143.124. 1. Other provisions of law to the contrary notwithstanding, for
2 tax years ending on or before December 31, 2006, the total amount of all
3 annuities, pensions, or retirement allowances above the amount of six thousand
4 dollars annually provided by any law of this state, the United States, or any other
5 state to any person except as provided in subsection 4 of this section, shall be
6 subject to tax pursuant to the provisions of this chapter, in the same manner, to
7 the same extent and under the same conditions as any other taxable income
8 received by the person receiving it. For purposes of this section, annuity,
9 pension, or retirement allowance shall be defined as an annuity, pension or
10 retirement allowance provided by the United States, this state, any other state
11 or any political subdivision or agency or institution of this or any other state. For
12 all tax years beginning on or after January 1, 1998, for purposes of this section,
13 annuity, pension or retirement allowance shall be defined to include 401(k) plans,
14 deferred compensation plans, self-employed retirement plans, also known as
15 Keogh plans, annuities from a defined pension plan and individual retirement
16 arrangements, also known as IRAs, as described in the Internal Revenue Code,
17 but not including Roth IRAs, as well as an annuity, pension or retirement
18 allowance provided by the United States, this state, any other state or any
19 political subdivision or agency or institution of this or any other state. An
20 individual taxpayer shall only be allowed a maximum deduction equal to the

21 amounts provided under this section for each taxpayer on the combined return.

22 2. For the period beginning July 1, 1989, and ending December 31, 1989,
23 there shall be subtracted from Missouri adjusted gross income for that period,
24 determined pursuant to section 143.121, the first three thousand dollars of
25 retirement benefits received by each taxpayer:

26 (1) If the taxpayer's filing status is single, head of household or qualifying
27 widow(er) and the taxpayer's Missouri adjusted gross income is less than twelve
28 thousand five hundred dollars; or

29 (2) If the taxpayer's filing status is married filing combined and their
30 combined Missouri adjusted gross income is less than sixteen thousand dollars;
31 or

32 (3) If the taxpayer's filing status is married filing separately and the
33 taxpayer's Missouri adjusted gross income is less than eight thousand dollars.

34 3. For the tax years beginning on or after January 1, 1990, but ending on
35 or before December 31, 2006, there shall be subtracted from Missouri adjusted
36 gross income, determined pursuant to section 143.121, a maximum of the first six
37 thousand dollars of retirement benefits received by each taxpayer from sources
38 other than privately funded sources, and for tax years beginning on or after
39 January 1, 1998, there shall be subtracted from Missouri adjusted gross income,
40 determined pursuant to section 143.121, a maximum of the first one thousand
41 dollars of any retirement allowance received from any privately funded source for
42 tax years beginning on or after January 1, 1998, but before January 1, 1999, and
43 a maximum of the first three thousand dollars of any retirement allowance
44 received from any privately funded source for tax years beginning on or after
45 January 1, 1999, but before January 1, 2000, and a maximum of the first four
46 thousand dollars of any retirement allowance received from any privately funded
47 source for tax years beginning on or after January 1, 2000, but before January 1,
48 2001, and a maximum of the first five thousand dollars of any retirement
49 allowance received from any privately funded source for tax years beginning on
50 or after January 1, 2001, but before January 1, 2002, and a maximum of the first
51 six thousand dollars of any retirement allowance received from any privately
52 funded sources for tax years beginning on or after January 1, 2002. A taxpayer
53 shall be entitled to the maximum exemption provided by this subsection:

54 (1) If the taxpayer's filing status is single, head of household or qualifying
55 widow(er) and the taxpayer's Missouri adjusted gross income is less than
56 twenty-five thousand dollars; or

57 (2) If the taxpayer's filing status is married filing combined and their
58 combined Missouri adjusted gross income is less than thirty-two thousand dollars;
59 or

60 (3) If the taxpayer's filing status is married filing separately and the
61 taxpayer's Missouri adjusted gross income is less than sixteen thousand dollars.

62 4. If a taxpayer's adjusted gross income exceeds the adjusted gross income
63 ceiling for such taxpayer's filing status, as provided in subdivisions (1), (2) and
64 (3) of subsection 3 of this section, such taxpayer shall be entitled to an exemption
65 equal to the greater of zero or the maximum exemption provided in subsection 3
66 of this section reduced by one dollar for every dollar such taxpayer's income
67 exceeds the ceiling for his or her filing status.

68 5. For the tax year beginning on or after January 1, 2007, but ending on
69 or before December 31, 2007, for taxpayers sixty-two years of age and older there
70 shall be subtracted from Missouri adjusted gross income, determined pursuant
71 to section 143.121, a maximum of an amount equal to the greater of: six
72 thousand dollars in retirement benefits received from sources other than privately
73 funded sources, to the extent such benefits are included in the taxpayer's federal
74 adjusted gross income; or twenty percent of the retirement benefits received from
75 sources other than privately funded sources in the tax year, but not to exceed the
76 maximum Social Security benefit available for such tax year. For the tax year
77 beginning on or after January 1, 2008, but ending on or before December 31,
78 2008, for taxpayers sixty-two years of age and older there shall be subtracted
79 from Missouri adjusted gross income, determined pursuant to section 143.121, a
80 maximum of an amount equal to the greater of: six thousand dollars in
81 retirement benefits received from sources other than privately funded sources, to
82 the extent such benefits are included in the taxpayer's federal adjusted gross
83 income; or thirty-five percent of the retirement benefits received from sources
84 other than privately funded sources in the tax year, but not to exceed the
85 maximum Social Security benefit available for such tax year. For the tax year
86 beginning on or after January 1, 2009, but ending on or before December 31,
87 2009, for taxpayers sixty-two years of age and older there shall be subtracted
88 from Missouri adjusted gross income, determined pursuant to section 143.121, a
89 maximum of an amount equal to the greater of: six thousand dollars in
90 retirement benefits received from sources other than privately funded sources, to
91 the extent such benefits are included in the taxpayer's federal adjusted gross
92 income; or fifty percent of the retirement benefits received from sources other

93 than privately funded sources in the tax year, but not to exceed the maximum
94 Social Security benefit available for such tax year. For the tax year beginning on
95 or after January 1, 2010, but ending on or before December 31, 2010, for
96 taxpayers sixty-two years of age and older there shall be subtracted from
97 Missouri adjusted gross income, determined pursuant to section 143.121, a
98 maximum of an amount equal to the greater of: six thousand dollars in
99 retirement benefits received from sources other than privately funded sources, to
100 the extent such benefits are included in the taxpayer's federal adjusted gross
101 income; or sixty-five percent of the retirement benefits received from sources
102 other than privately funded sources in the tax year, but not to exceed the
103 maximum Social Security benefit available for such tax year. For the tax year
104 beginning on or after January 1, 2011, but ending on or before December 31,
105 2011, for taxpayers sixty-two years of age and older there shall be subtracted
106 from Missouri adjusted gross income, determined pursuant to section 143.121, a
107 maximum of an amount equal to the greater of: six thousand dollars in
108 retirement benefits received from sources other than privately funded sources, to
109 the extent such benefits are included in the taxpayer's federal adjusted gross
110 income; or eighty percent of the retirement benefits received from sources other
111 than privately funded sources in the tax year, but not to exceed the maximum
112 Social Security benefit available for such tax year. For all tax years beginning
113 on or after January 1, 2012, for taxpayers sixty-two years of age and older there
114 shall be subtracted from Missouri adjusted gross income, determined pursuant
115 to section 143.121, a maximum of an amount equal to one hundred percent of the
116 retirement benefits received from sources other than privately funded sources in
117 the tax year, but not to exceed the maximum Social Security benefit available for
118 such tax year. A taxpayer shall be entitled to the maximum exemption provided
119 by this subsection:

120 (1) If the taxpayer's filing status is married filing combined, and their
121 combined Missouri adjusted gross income is equal to or less than one hundred
122 thousand dollars; or

123 (2) If the taxpayer's filing status is single, head of household, qualifying
124 widow(er), or married filing separately, and the taxpayer's Missouri adjusted
125 gross income is equal to or less than eighty-five thousand dollars.

126 6. If a taxpayer's adjusted gross income exceeds the adjusted gross income
127 ceiling for such taxpayer's filing status, as provided in subdivisions (1) and (2) of
128 subsection 5 of this section, such taxpayer shall be entitled to an exemption, less

129 any applicable reduction provided under subsection 7 of this section, equal to the
130 greater of zero or the maximum exemption provided in subsection 5 of this section
131 reduced by one dollar for every dollar such taxpayer's income exceeds the ceiling
132 for his or her filing status.

133 7. For purposes of calculating the subtraction provided in subsection 5 of
134 this section, such subtraction shall be decreased by an amount equal to any Social
135 Security benefits received by the taxpayer which are not included in such
136 taxpayer's Missouri adjusted gross income.

137 8. For purposes of this section, any Social Security benefits otherwise
138 included in Missouri adjusted gross income shall be subtracted; but Social
139 Security benefits shall not be subtracted for purposes of other computations
140 pursuant to this chapter, and are not to be considered as retirement benefits for
141 purposes of this section.

142 9. The provisions of subdivisions (1) and (2) of subsection 3 of this section
143 shall apply during all tax years in which the federal Internal Revenue Code
144 provides exemption levels for calculation of the taxability of Social Security
145 benefits that are the same as the levels in subdivisions (1) and (2) of subsection
146 3 of this section. If the exemption levels for the calculation of the taxability of
147 Social Security benefits are adjusted by applicable federal law or regulation, the
148 exemption levels in subdivisions (1) and (2) of subsection 3 of this section shall
149 be accordingly adjusted to the same exemption levels.

150 10. The portion of a taxpayer's lump sum distribution from an annuity or
151 other retirement plan not otherwise included in Missouri adjusted gross income
152 as calculated pursuant to this chapter but subject to taxation under Internal
153 Revenue Code Section 402 shall be taxed in an amount equal to ten percent of the
154 taxpayer's federal liability on such distribution for the same tax year.

155 11. For purposes of this section, retirement benefits received shall not
156 include any withdrawals from qualified retirement plans which are subsequently
157 rolled over into another retirement plan.

158 12. The exemptions provided for in this section shall not affect the
159 calculation of the income to be used to determine the property tax credit provided
160 in sections 135.010 to 135.035, RSMo.

161 13. The exemptions provided for in this section shall apply to any annuity,
162 pension, or retirement allowance as defined in subsection 1 of this section to the
163 extent that such amounts are included in the taxpayer's federal adjusted gross
164 income and not otherwise deducted from the taxpayer's federal adjusted gross

165 income in the calculation of Missouri taxable income. This subsection shall not
166 apply to any individual who qualifies under federal guidelines to be one hundred
167 percent disabled.

168 **14. In addition to all other subtractions authorized in this**
169 **section, for all tax years beginning on or after January 1, 2009, there**
170 **shall be subtracted from Missouri adjusted gross income, determined**
171 **under section 143.121, one hundred percent of the retirement benefits**
172 **received by any taxpayer as a result of the taxpayer's service in the**
173 **armed forces of the United States, including reserve components and**
174 **the national guard of this state, as defined in Sections 101(3) and 109**
175 **of Title 32, United States Code, to the extent such benefits are included**
176 **in the taxpayer's federal adjusted gross income and not otherwise**
177 **deducted from the taxpayer's federal adjusted gross income in the**
178 **calculation of Missouri taxable income.**

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